

House File 2244 - Introduced

HOUSE FILE 2244

BY WINCKLER

A BILL FOR

1 An Act relating to interest rate limitations and disclosure
2 requirements applicable to specified postsecondary
3 educational loans, and making civil penalties applicable.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 261F.5A Interest rates —
2 limitation.

3 1. For purposes of this section, "*federal student loan*
4 *interest rate*" means the interest rate applied to an educational
5 loan made, insured, or guaranteed under Tit. IV of the federal
6 Higher Education Act of 1965, as amended, directly to a
7 borrower solely for educational purposes and as described by
8 the federal student aid office of the United States department
9 of education.

10 2. a. Notwithstanding any provision to the contrary, the
11 interest rate collected or imposed by a lender or lending
12 institution on a private educational loan in this state shall
13 not be more than one percentage point over the corresponding
14 federal student loan interest rate for the life of the loan.

15 b. For purposes of determining the applicable corresponding
16 federal student loan interest rate, the lender or lending
17 institution shall apply the current federal interest rate that
18 corresponds to the category of the loan, including but not
19 limited to whether the loan is subsidized or unsubsidized, and
20 the category of the borrower, including but not limited to
21 whether the borrower is an undergraduate or graduate student.

22 3. This section shall not be interpreted to supersede,
23 conflict with, or apply to the requirements applicable to
24 a loan that is made, insured, or guaranteed by the federal
25 government or to any other loan providing for postsecondary
26 educational expenses pursuant to a federal program.

27 Sec. 2. Section 261F.7, Code 2016, is amended to read as
28 follows:

29 **261F.7 Disclosure requirements.**

30 1. Except for educational loans made, insured, or
31 guaranteed by the federal government, a lending institution
32 included on a covered institution's preferred lender list
33 shall, upon receiving a request from a borrower, covered
34 institution, or government entity, disclose to the requester in
35 reasonable detail and form, the terms of private educational

1 loans made to borrowers by that lending institution and the
2 rates of interest charged to borrowers for private educational
3 loans in the year preceding the disclosures.

4 2. A lender or lending institution providing a private
5 educational loan to a borrower in this state shall, prior
6 to the borrower signing a loan agreement, disclose to the
7 borrower in reasonable detail and form, the terms of the loan
8 being provided to the borrower. Such disclosure shall include
9 but is not limited to an estimate of the total cost of the
10 loan, taking into consideration the interest rate applied to
11 the loan. The borrower shall sign a statement attesting to
12 receipt of the disclosure required under this subsection, which
13 statement shall be affixed to the loan agreement.

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with
16 the explanation's substance by the members of the general assembly.

17 This bill relates to private educational loans provided to
18 borrowers in this state.

19 The bill provides that the interest rate applied by a lender
20 or lending institution to a private educational loan provided
21 to a borrower in Iowa cannot be more than one percentage point
22 over the corresponding federal student loan interest rate for
23 the life of the loan. The bill defines "federal student loan
24 interest rate" as the interest rate applied to an educational
25 loan made, insured, or guaranteed under title IV of the federal
26 Higher Education Act of 1965, as amended. To determine the
27 applicable corresponding federal student loan interest rate,
28 the lender or lending institution shall apply the current
29 federal interest rate that corresponds to the category of the
30 loan and the category of the borrower, as described in the
31 bill. The bill states that the interest rate limitation shall
32 not be interpreted to apply to educational loans made, insured,
33 or guaranteed by the federal government.

34 The bill requires a lender or lending institution to
35 disclose the terms of a private educational loan to a borrower

H.F. 2244

1 prior to the borrower signing an agreement for the loan. The
2 disclosure must include an estimate of the total cost of the
3 loan, taking the applicable interest rate into account. The
4 borrower must sign a statement attesting to having received
5 the disclosure, and the statement shall be affixed to the loan
6 agreement.

7 Pursuant to current Code section 261F.8, a lender or lending
8 institution that violates a provision of Code chapter 261F is
9 subject to a civil penalty of \$5,000 per violation, in addition
10 to other specified sanctions.